Operational Quality (40%)											
Measure	Metric	Meaning	Where Found	Computation	Metric Interpretation	Indicator	Y1	Y2	Y3	Y4	Y5
Sustainability	Student enrollment	Enrollment estimates result in initial funding allocations. These should not depart from actual enrollment by a wide margin, and they should not be "inflated" purposefully or systematically. This metric distinguishes situations in which actual enrollment varies from a received report by more than an expected margin of error.	(Spring report of enrollment to USOE Charter Section)	Spring Enrollment Estimate (Charter Summaries) ÷ Oct. 01 Enrollment Count	A school shall seek to provide preliminary enrollment reports that will not depart from actual enrollment values by a margin of more than 20% in either direction (above or below). It will be expected to avoid overestimation of enrollment corresponding with years of operation, and should demonstrate increasing awareness of enrollment trends prior to the beginning of each fiscal year such that major budgetry revision is ordinarily unnecessary; enrollment should not be overestimated egregiously beyond the third year of operation - with enrollment underestimation being allows to approach 20% but overestimation being not greater than 10%.	.8 ≤ Target ≤ 1.2	≥ 0.80	≥ 0.85	≥ 0.90	≥ 0.95	1.0 ≤ Target 1.2
Liquidity	Current ratio	The ratio compares a school's short-term liabilities (debt and payables) to its short-term assets (cash, receivables). The higher the current ratio, the more capable the company is of paying its obligations. A ratio under 1 suggests that the company would be unable to pay off its obligations if they came due at that point.	Audited Financial Statements, Statement of Financial Position or AFR (Total Assets ÷ TotalLliabilities, AFR)	Current Assets - Current Liabilities	By the 1st year in operation, a school is expected to hold enough short-term assets to cover current obligations.	1 ≤ Target	≥.5	≥ 1	≥ 1.25	≥1.5	≥ 1.75
Liquidity	Cash on hand	How does the value of liquid assets available for payments compare to typical expenses over a specified time-period, such as a month or a quarter? A healthy school should have enough reserves to meet typically anticipated liabilities coming due in the next month to a quarter, to two quarters in the absence of additional receipts.	Audited Financial Statements, Statement of Financial Position	(Cash balances - Restricted Funding) ÷ [Total Annual Operating Expenses ÷ 365]	A school should retain no less than 45 days worth of cash on hand and should seek to widen reserves over time so far as it can maintain appropriate provision of services to students.	45 ≤ Target	≥ 45	≥ 60	≥ 75	≥ 90	≥ 120
Liquidity	Net income available for debt service	After meeting typcical yearly operating expenses (variable costs), how does the value of a school's total available ("unimpaired") assets compare to debt service needs in the coming year? A healthy school should have enough assets available to cover contractual repayment obligations for a year or more ahead.	Audited Financial Statements, Statement of Financial Position,	(Unrestricted net assets Total Operational expenses for prior year) ÷ Debt Service	By the 5th year in operation, a school will typically enough reserves available to cover debt service expected in the upcoming year. In initial years of operation, a school will be expected to have at least enough uncommitted funds available to cover debt service cost occurring across that fiscal year.	1.00 ≤ Target	≥ 1.00	1.25	1.5	1.75	2
Sustainability	Operating Reserve Ratio	How does the value of liquid assets available for payments compare to typical expenses over a specified time-period, such as a month or a quarter? A healthy school should have enough reserves to meet typically anticipated liabilities coming due in the next month to a quarter, to two quarters in the absence of additional receipts.	Audited Financial Statements, Statement of Financial Position and Statement of Activities	Total uncresticted net assets ÷ [Total Annual Operating Expenses ÷ 12]	A school should seek to retain enough cash on hand to cover expenses occurring in the reasonably forseeable future.	1.5 ≤ Target	≥ 1.5	2	3	4.5	4

D R A F T O N L Y	Sustainability	Debt ratio	A school's obligations should not exceed the value of exostiing assets, or it has without authority encumbered public funds not legitimately appropriated by a presiding authority. The debt ratio compares a school's total debt to its total assets, giving a a general idea as to the amount of leverage being used by a company. A low percentage means that the company is less dependent on leverage, i.e., money borrowed from and/or owed to others. The lower the percentage, the less leverage a company is using and the stronger its equity position. In general, the higher the ratio, the more risk that company is considered to have taken on.	Audited Financial Statements, Statement of Financial Position	Total Liabilities ÷ Total Assets	A school should not take on obligations exceeding the value of assets. This must include consideration of all accrued liabilities, including depreciation. In its initial years of operation in particular, a school should not obligate future funding receipts beyond its ability to liquidate current holdings and pay off all accrued obligations. It is understood that as a school ages it will be more likely to take on bonded debt, in which case debt coverage may fall in relation to existing assets whn outstanding obligations and existing depreciation are figured in. Measures the proportion of assets provided by debt. High values indicate future liquidity problems or reduced capacity for future borrowing.	1.0 ≥ Target	≤ 1.0	≤.9	≤.8	≤.75	≤.6
	Sustainability	Net change in assets	Schools should not expend above available revenues and should retain a margin of reserves at the end of each fiscal year.	Net Assets, AFR	(Total Revenue Total Expenditure) ÷ Total Revenue	Schools should seek to provide for all needs, current and longerterm, by allowing for a net increase in assets of at least 5% or received revenues	5% = per year of received revenues	≥ 1.05	≥ 1.10	≥ 1.15	≥ 1.2	≥ 1.25
	Sustainability	Adherance to budget	Budgetary compliance has a direct impact on operational outcomes. Budgets constitute spending authority and should not be exceeded except under auspices of an expenditure resolution having appropriate revenues associated with it.	AFR Budget, Charter Summary	(Budgeted Expenditure - Expenditure) ÷ Budgeted Expenditure	Boards and school administrators should actively seek to maintain expenditure within allowable limits and should modify budgets appropriately as necessary.	Target = no more than	≤ -2%	≤-1%	≥ 1%	≥ 3%	≥ 5%
	Sustainability	Maintain applicable bond covenants	Bond covenants are contractually defined standards of financial behavior which the school has chosen to adhere to in order to gain funding.	Trust Indeentures/Loa n Agreement	Various Sections	Boards and school administrators should actively uphold contractual obligations. Failure to do so indicates financial instability and may bring negative repercussions defined by such a contract.	Annual submission of required documents	Annual submission of No Default Certificate; Audited record of maintenance of Covenants				
	Sustainability	Occupancy costs	Excessive occupancy costs undermine a school's ability to provide and sustain an adequate levels of services to students and support teachers and other requirements of a successful educational program.	Audited Financial Statements (Leasing or Debt Service costs for upcoming year) versus MSP or Total Funding for upcoming year	Facility Costs ÷ Total Operating Revenues	Facility costs should stabilize at a level below 25% by the third year in operation.	28%≥ Target	≤ 28%	≤ 25%	≤ 22%	≤ 22%	≤ 22%
	Sustainability	Audit Findings and Auditor Recommendations	Audit findings, notes and auditor observations point out lapses in control environment which could make financial reports unreliable, undermine a board's ability to appropriately safeguard an manage resources, and could undermine originizational sustainability and financial wellbeing.	Audited Financial Statements	Notes to Financial Statements; Report on Internal Control over Financial Reporting and on Compliance; Letter to Management.	A school should seek to maintain adequate internal controls and should manage assets, liabilities and operational deisions so as to avoid financial distress or unsupportable operational outcomes.; a school should also maintain compliance with state, federal and funding-specific statute and rule.	No repeat, significant or material findings = Target	NA	Absence of repeat findings	Absence of repeat findings or findings of material deficiencies	Absence of repeat findings or findings of material or significant deficiencies	Absence of repeat findings or findings of deficiencies

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